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AUTHORIZATION OF APPROPRIATIONS FOR MARITIME PROGRAMS

OCTOBER 6 (legislative day, SEPTEMBER 25), 1987.—Ordered to be printed

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Mr. HOLLINGS, from the Committee on Commerce, Science, and Transportation, submitted the following

REPORT

[To accompany S. 800]

The Committee on Commerce, Science, and Transportation, to which was referred the bill (S. 800) to authorize appropriations for fiscal year 1988 for certain maritime programs of the Department of Transportation and the Federal Maritime Commission, having considered the same, reports favorably thereon with an amendment and recommends that the bill do pass.

PURPOSE OF BILL

S. 800, as reported, would authorize appropriations for the Maritime administration (MarAd) and the Federal Maritime Commission (FMC) for fiscal year 1988 and amend Section 1304 of the Merchant Marine Act of 1936, relating to the student incentive payment program for the State Maritime Academies.

BACKGROUND AND NEEDS

FEDERAL MARITIME COMMISSION

The FMC was established as an independent regulatory agency by Reorganization Plan No. 7, effective August 12, 1961. Prior to that time the FMC's regulatory functions were vested in the Federal Maritime Board, which was responsible for the regulation of ocean commerce and the promotion of the U.S. merchant marine. As a successor to the Federal Maritime Board, the FMC was charged with the administration of the regulatory provisions of the Shipping Act, 1916. The shipping laws of the United States were

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thus separated into two categories—regulatory and promotional—with the responsibilities associated with promotion of an adequate and efficient U.S. merchant marine being assigned to MarAd, located within the Department of Transportation (DOT). The FMC is therefore responsible for the regulation of the ocean commerce of the United States.

The FMC administers a number of Federal statutes. Chief among these are the Shipping Acts of 1916 and 1984, the Intercoastal Shipping Act of 1933 and certain provisions of the Merchant Marine Acts of 1920 and 1936.

Its regulatory responsibilities include:

1. Reviewing and monitoring agreements of common carriers and other persons engaged in the U.S. foreign commerce. These agreements include conference, pooling, joint service, and space charger agreements;
2. Receiving and reviewing tariff filings (but not the regulation of rate levels) by common carriers engaged in the U.S. foreign commerce;
3. Protecting shippers and carriers engaged in the foreign commerce of the United States from restrictive or non-market-oriented rules and regulations of foreign governments and/or the practices of foreign-flag carriers that have an adverse effect on the commerce of the United States;
4. Protecting the rights of U.S.-flag shipping companies to transport cargoes in the foreign-to-foreign trades;
5. Regulating rates, charges, classifications, tariffs, and practices of ocean common carriers in the domestic offshore trades of the United States;
6. Licensing international ocean freight forwarders;
7. Issuing passenger vessel certificates evidencing financial responsibility of vessel owners or charterers to pay judgments for personal injury or death or to repay fares for the nonperformance of a voyage or cruise;
8. Investigating discriminatory rates, charges, classifications, and practices of ocean common carriers, terminal operators, and freight forwarders operating in the foreign and/or domestic offshore commerce of the United States; and
9. Rendering decisions, issuing orders and adopting rules and regulations governing common carriers in U.S. foreign and domestic offshore commerce, terminal operators, freight forwarders, and other persons subject to shipping statutes of the United States.[1]

The reported bill provides an authorization of funding to allow the FMC to carry out these activities.

MARITIME ADMINISTRATION

MarAd, an agency within the DOT, is responsible for programs to promote a strong U.S. merchant marine for the waterborne carriage of U.S. foreign and domestic commerce and for national defense. These programs are authorized principally by the Merchant Marine Act of 1936.

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[1] Federal Maritime Commission, 25th Annual Report for Fiscal Year 1986, Page 2, (1987).

The Merchant Marine Act of 1936 authorizes MarAd to:

1. Award and administer construction-differential subsidy contracts and operating-differential subsidy (ODS) contracts to aid the American merchant marine, and trade-in allowances for new ship construction;

2. Enter into and administer agreements for tax deferred capital construction funds and construction reserve funds;

3. Provide insurance on construction loans, and ship mortgages or guarantees on ship financing obtained from private sources for ship construction and reconstruction;

4. Provide assistance to the shipping industry to generate increased trade and cargo shipments on U.S.-flag ships;

5. Promote development of ports and intermodal transportation systems;

6. Promote development of the domestic waterborne commerce of the United States;

7. Oversee the administration of cargo preference statutes;

8. Administer charters and general agency agreements for operation of Government-owned ships;

9. Maintain custody of, and preserve ships in, the National Defense Reserve Fleet;

10. Conduct sales of ships;

11. Supervise design and construction of ships for government account;

12. Furnish war risk insurance on privately-owned merchant ships;

13. Train merchant marine officers;

14. Conduct a research and development program in the maritime field; and

15. Issue rules and regulations with respect to the foregoing functions.

Since 1981, the administration has sought to curtail the number and scope of MarAd's programs through budgetary actions and policy positions. It, for example, has:

1. In the past adopted a no-expansion policy for the ODS program as part of its policy to end that program as existing ODS contracts expire through the year 2000, and opposed legislation which would have expanded the program;

2. Vetoed legislation because it failed to eliminate the statutory Title XI ship construction loan guarantee program (Title XI program) and Federal aid to State maritime academies;

3. Consistently requested zero funding for the construction-differential subsidy program, and opposed legislation which would have authorized such funding; and

4. Opposed Congressional efforts to increase cargo reservation (e.g., cargo reservation for U.S. mail).

In the MarAd budget proposal for fiscal year 1988 made earlier this year, the administration expressed its intention not to expand the ODS program. It also proposed to eliminate the Title XI program and Federal aid to State maritime academies.

Specifically, with respect to ODS, the administration's budget proposal earlier this year did not request an annual authorization and appropriation for ODS funds. Instead it proposed that funds for

ODS be authorized and appropriated on a "such sums as necessary" basis, beginning in 1988 and thereafter.

In support of its proposal, the administration maintained that even though appropriations have been provided annually to liquidate obligations under these long-term ODS contracts, the costs associated with these contracts are difficult to predict in annual increments due to changes in the cost of foreign competition and shifting economic factors. As a consequence, either too much or too little money has been appropriated each year. It has expressed its belief that open-ended authority is a neater way to administer the program.

The administration has said there would be no expansion of the ODS program. The Committee notes in this regard that a proposal to alter the ODS program in certain significant respects is under consideration by the Administration.

With respect to the Title XI program, the administration proposal would eliminate the authority for the Secretary of Transportation to guarantee obligations to finance the construction, reconstruction, or reconditioning of U.S.-flag vessels. (The administration's request also includes termination of similar authority vested in the Secretary of Commerce with respect to fishing vessels and fishery facilities.) The Title XI program is one of several Federal credit programs that the administration has proposed to reduce or phase out in order to limit the government's intervention in the nation's lending market.

Regarding the State maritime academies program, the administration proposal does not include a request for an authorization for assistance to that program. As its reason for not requesting such an authorization, the administration has maintained that there is a continued oversupply of merchant officers. Under the administration proposal, the State maritime academies could continue using the existing training vessels in 1988, and beyond, on the condition that they would pay all maintenance and repair and fuel costs, and that they would be responsible for funding replacement vessels, when necessary.

Finally, the administration budget proposal would result in the elimination of MarAd's research and development (R&D) program by not providing a line item authorization for it. While it does include $2 million for *some* research activity, as part of its line item request for an authorization for Operations and Training, this $2 million is intended to be used in winding down existing R&D contracts. The administration has emphasized its interest in moving toward private sector initiatives in this area.

The reported bill reauthorizes MarAd, assuming continuation of its existing programs, and makes no changes in these programs, other than one amendment to the State maritime academies' student incentive payments.

Legislative History

On March 19, 1987, Senator Breaux introduced S. 800, cosponsored by Senator Stevens, providing for the reauthorization of the FMC and MarAd. On March 31, 1987, the Subcommittee on Merchant Marine held a hearing on S. 800 and related issues. Wit-

nesses included representatives of MarAd, FMC, and the State maritime academies.

On June 4, 1987, in open executive session, the Committee, without objection, ordered S. 800 reported with an amendment which authorizes $10 million for the conversion of a training vessel for the New York State Maritime College.

Summary of Major Provisions

FMC AUTHORIZATION

S. 800 as reported authorizes $14.5 million to be appropriated in fiscal year 1988 for the FMC. This amount is intended to continue FMC's operations at existing levels and should enable the FMC to carry out its regulatory responsibilities under the various statutes it administers. It also should enable the FMC to enter into the next phase of its tariff automation project and, if warranted by a cost-benefit analysis, to have a pilot or prototype automated tariff filing system operational by the end of the 1988 fiscal year. The Committee notes in this regard that concerns were raised at the Committee hearing about the current lack of an automated tariff filing system which would enhance the FMC's ability to discharge its regulatory and enforcement responsibilities.

The Committee also notes other FMC issues that were raised at the hearing, including:

1. The difficulties encountered by the FMC in connection with its inquiry into High Cube Container restrictions in Japan. The Japanese government claimed the FMC's information-gathering orders were improperly served on the Japanese carriers in Japan and should have been served through diplomatic channels. The FMC agreed that resident-agent requirements would avoid these extraneous arguments and help expedite the process;

2. The FMC time table for decision in its "50-Mile Rules" proceeding;

3. The extent of cargo diversion from east and west coast ports to Canada;

4. The extent to which service contacts are being used in a manner not intended by the Shipping Act of 1984, i.e., to avoid filing tariffs; and the status of two FMC rulemaking proceedings on service contracts; and

5. A provision in section 1888(8)(i) of the Tax Reform Act of 1986 entitled "Compensation for Ocean Freight Forwarders" relating to mandatory independent action on freight forwarder compensation.

The Committee expects the FMC to take careful note of these issues.

MARAD AUTHORIZATION

The MarAd programs are designed to promote the development of an American merchant marine for the domestic and foreign trades and for national security requirements. S. 800 as reported provides authorizations to continue these programs.

Operating-Differential Subsidy

The ODS program provides operating subsidies to U.S.-flag operators to offset certain differences between U.S. and foreign operating costs. Subsidy is provided for wages, maintenance and repair, and insurance costs.

Subsidizable U.S. wage costs are limited through use of a special, non-maritime, U.S. wage index developed by the Bureau of Labor Statistics. Wage costs are also partially controlled through the limitation of manning levels for new subsidized vessels. Payments for maintenance and repair and insurance are based upon the difference between the fair and reasonable cost of these items and what the cost of the same items would be if the vessel were operated under the registry of the flag of a substantial foreign competitor.

S. 800 as reported authorizes $300 million for the ODS program. Of that amount, $250.3 million is to liquidate the obligations MarAd estimates it will incur during fiscal year 1988, under the long-term ODS contracts negotiated with U.S. citizens operating vessels in foreign commerce. The remainder of that total amount, $49.7 million, is to be made available for the additional cost of any new or revised ODS liner program, in the event one is enacted during fiscal year 1988.

Research and Development

Marad's R&D program is intended to assist the major sectors of our maritime industry in becoming more competitive. According to the agency, a substantial part of the program is cost-shared with industry, other Federal agencies, academic institutions, and State and foreign governments.

To assist in making our maritime industry more competitive, MarAd is, for example, participating in the development of commercial application of laminer flow/boundary air pipeline transfer technology. The Committee has been told that this revolutionary pneumatic conveying system may be adopted to load and unload grain commodities at a substantially reduced cost.

Another example is how this program has assisted the port segment of the maritime industry. According to the American Association of Port Authorities, recent MarAd-supported studies of particular benefit include Public Port Financing in the United States, the Port Risk Management Guidebook, Port Handbook for Estimating Marine Terminal Cargo Capability, the Port Economic Impact Kit, and the Port Financial Management Information System.

In sum, there is certain long-term, industry-wide research and development in the public interest which realistically only can be sponsored by the Federal Government. S. 800 as reported would continue MarAd's R&D program in this vein by authorizing $2 million for activities under it.

Operations and Training (O&T)

S. 800 as reported authorizes $74.797 million to finance costs incurred by headquarters and region staffs in the administration and direction of MarAd programs, as well as the total cost of officer training at the U.S. Merchant Marine Academy, Federal financial

support to State marine schools, and maintenance of the National Defense Reserve Fleet.

Principal activities within O&T are:

A. Maritime Education and Training

1. *Merchant Marine Academy.*—The U.S. Merchant Marine Academy at Kings Point, New York, provides a four-year undergraduate program which leads to a Bachelor of Science degree and to a merchant marine license as third mate or third assistant engineer. Academy attendees are enrolled as midshipmen in the U.S. Naval Reserve and, if eligible, are commissioned upon graduation as ensigns in the Naval Reserve.

S. 800 as reported authorizes $22.767 million for the operation of this academy. In addition to funding the undergraduate program, this amount would permit continuation of a long-range modernization program for renovating and upgrading facilities which are over 40 years old.

2. *State Maritime Academies.*—MarAd provides assistance for the training of merchant marine officers at six State schools located in California, Maine, Massachusetts, Michigan, New York, and Texas. This assistance is provided through direct payments to the schools for operation and maintenance of maritime academies or colleges and incentive payments for cadets, and by furnishing vessels for use as training ships and providing for their alteration, maintenance and repair.

S. 800 as reported authorizes $10 million for this purpose. The Committee intends this amount to include funding for fuel oil consumed by State training vessels when used for training purposes.

3. *Additional training.*—MarAd's authorization provides for agency administration of the Merchant Marine Academy and State marine schools programs, for the conduct of supplementary training courses for licensed and unlicensed merchant marine personnel, and for costs of developing and maintaining current data on the maritime labor force. S. 800 as reported provides $1.231 million for these purposes.

B. National Security Support Capability

The reported bill authorizes $13.812 million for (1) preservation and maintenance of ships retained for national emergencies in the National Defense Reserve Fleet; (2) administration of the ship transfer and ship disposal programs; and (3) planning for coordination of U.S. maritime industry activities under emergency conditions, for which $1.293 million out of the total is authorized.

C. Operations

S. 800 as reported authorizes $26.987 million for the general administration of MarAd policies and programs.

Student Incentive Payments

S. 800 as reported also amends section 1304 of the Merchant Marine Act, 1936 to correct a problem in the implementation of the student incentive payment (SIP) program. This program assists individuals attending State maritime academies. At the present time, students receive these payments for the first two academic years

and do not have to enter into a U.S. Naval Reserve agreement until their third year. Some never enter into an agreement and receive a windfall of $2,400 ($1,200 for each of 2 years) without any reciprocal benefit to the Federal Government. The changes made by the reported bill to this program would move the commitment and agreement date to the second year. The amendments provide that the student would be given a lump sum payment of $1,200 for the first year, which would be paid in the second year only after the agreement is signed by the student and accepted by the Government.

Title XI Program

The reported bill assumes the continuation of the Title XI program, one of the few remaining Government programs to assist and promote the U.S. maritime industry and one which Committee Members support. Overall this program has been successful, and the Committee notes that the high level of defaults over the past three years are, for the most part, energy-related. (That sector of our economy has been severely affected by the decline in world oil prices and resulting fall-off in offshore oil development in this country.)

MarAd has rules and regulations to ensure the economic soundness of Title XI applicants and their proposals, and existing law gives the agency sufficient authority and discretion to condition its grant of an obligation guarantee after an agency determination of economic soundness. In this regard, the Committee notes with approval that notwithstanding the administration's efforts to eliminate the Title XI program, MarAd has expressly assured this Committee and the Senate Subcommittee on Commerce, Justice, and State Appropriations that it will grant pending and future Title XI applications if they are in compliance with MarAd's published regulations, and do not exceed the agency's statutory loan guarantee authority.

Hearings on MarAd

The testimony on the authorization for MarAd received at the hearing on S. 800 as introduced focused on the following concerns:

1. The "open-ended," "no-year" funding for the ODS program, as proposed by the administration, which would effectively curtail the authorizing committees' legislative and oversight jurisdiction of that program;
2. The administration's proposal to terminate the Title XI program, even though it is: one of the few remaining government programs to assist U.S. shipbuilding yards; a *sine qua non* to obtaining a ship financing loan from a private lending institution; necessary to ensuring the viability of the Jones Act; and, with the exception of losses attributable to energy-related vessels, a financially self-sustaining program;
3. The administration proposal to terminate Federal support for the six State maritime academies in view of the studies which project shortages of qualified merchant officers in the event of a national emergency;
4. The administration's proposal to eliminate MarAd's R&D program, in view of the resulting benefits to U.S. shipyards,

ports, vessel operators, and other segments of the maritime industry; and

5. The General Accounting Office report which cited several areas of concern with respect to the Ready Reserve Fleet: congestion at fleet sites; questionable availability of shipyard resources and merchant marine crews; behind-schedule ship maintenance; incomplete inventorying of spare parts; limited test activations; and lack of systematic evaluation of test results.

With these concerns in mind, S. 800 as reported provides MarAd with funds to continue existing programs and makes no changes in those programs, other than one amendment to the State maritime academies' student incentive payments.

Committee Amendment

The amendment accepted in the executive session would authorize an additional $10 million to convert the U.S.-owned cargo vessel *Mormactide* to a training ship for the State University of New York Maritime College, as a replacement for the antiquated and largely obsolete *Empire State*. In 1984, Congress appropriated $8.5 million for this purpose but the administration made several unsuccessful attempts to defer or rescind these funds, and no action has been taken to date as a consequence. MarAd has finally selected the *Mormactide*, which is laid up in the Ready Reserve Fleet, as a replacement vessel, but an additional $10 million will be required to cover the total cost of conversion.

The Committee agreed to this amendment so that effective use could be made of the substantial funds that have already been appropriated for the replacement vessel. This amendment should not be viewed as a commitment to provide new authorization of funds for additional State-school ships. Rather, in light of current fiscal restraints, the Committee wishes to encourage MarAd and the State academies to continue to explore the possibility of an effective ship-sharing program between academies. If ship sharing is determined to be consistent with safe operations and training objectives, and also can effectively accomplish the purpose of using ships as important training aids, then negotiations should ensue to develop the necessary arrangements for the equitable, efficient, and safe sharing of the vessels.

Estimated Costs

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 403 of the Congressional Budget Act of 1974, the Committee provides the following cost estimate, prepared by the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 19, 1987.

Hon. ERNEST F. HOLLINGS,
Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 800, a bill to authorize appropriations for fiscal year 1988 for certain maritime programs of the Department of Transportation and the Federal Maritime Commission.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,
Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 800.

2. Bill title: A bill to authorize appropriations for fiscal year 1988 for certain maritime programs of the Department of Transportation and the Federal Maritime Commission.

3. Bill status: As ordered reported by the Senate Committee on Commerce, Science, and Transportation, June 16, 1987.

4. Bill purpose: H.R. 953 would authorize appropriations of $300 million for the payment of obligations incurred for operating differential subsidies (ODS) and $76.8 million for other activities of the Department of Transportation's Maritime Administration (MarAd). In addition, the bill would authorize $14.5 million for the Federal Maritime Commission (FMC).

Fiscal year 1987 appropriations for MarAd programs are $67.5 million. An additional $275 million was appropriated for the liquidation of ODS contract authority. Appropriations of $11.6 million were provided to the FMC. The President's fiscal year 1988 budget request includes $66.8 million for MarAd programs and $14.5 million for the FMC. Cash requirements for the liquidation of ODS contract obligations in 1988 are estimated to be about $250 million.

Section 3 of the bill would amend provisions in the Merchant Marine Act relating to Student Incentive Payments (SIPs). The amendment is intended to reduce federal losses incurred when students drop out of the program before graduation but after stipends have been awarded.

Finally, Section 4 would authorize appropriations of $10 million for the acquisition and conversion costs of a new training vessel for the State University of New York Maritime College.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
Authorization level	101.3				
Estimated outlays	81.5	17.5	2.3		

The costs of this bill fall within budget function 400.

Basis of estimate: For purposes of this estimate, it is assumed that the full amounts authorized will be appropriated for fiscal year 1988. Authorization levels are those specified in the bill. Outlays have been estimated on the basis of historical spending patterns for these programs. No sums for liquidation of ODS obligations have been included as part of the authorization level or estimated outlays in the above table because such spending is the result of previously provided contract authority.

Section 3 would restructure the SIP program to reduce losses incurred when state maritime cadets who have received the $1,200 annual stipend drop out of the program before they have signed any commitment to the federal government. If participation levels were reduced to reflect the proposed change, savings would be about $500,000 a year at current program levels. However, any savings realized would depend on annual appropriations actions; if these do not fall to reflect the lower requirements, no savings would be realized. No budget impact has been included in this estimate for any potential savings under Section 3.

Section 4 would authorize appropriations of $10 million for the acquisition, preconversion, and conversion costs of a replacement training vessel for the State University of New York Maritime College. The funds provided in this bill would be in addition to the $8.5 million previously appropriated in the Second Supplemental Appropriations Act, 1984 (Public Law 98-396). All outlays for the training vessel are expected to occur in 1989.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: David Artadi and Deb Reis.

10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

Regulatory Impact Statement

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee provides the following evaluation of the regulatory impact of legislation, as reported.

S. 800 as reported simply reauthorizes the FMC and MarAd at existing levels and thus will have no additional regulatory or economic impact. The legislation, including the change in the SIP program, will have no effect on the number or types of individuals and businesses regulated, the personal privacy of affected individuals, or the paperwork required of the affected agencies or from such individuals and businesses.

SECTION-BY-SECTION ANALYSIS

SECTION 1

Section 1(1) authorizes a total of $300 million for obligations incurred for the ODS program administered by MarAd. This subsidy is the primary means of Federal support for the competitive operation of the U.S.-flag merchant fleet engaged in the foreign commerce of the United States. This authorization reflects the fact that the administration contemplates an outlay of $250,300,000—or $3,200,000 more than the estimated outlay for 1987. An additional $49.7 million is provided in the total ODS authorization to cover any revisions in the ODS program that might be enacted through passage of a new or revised promotional program.

Section 1(2) also authorizes a total of $2 million for R&D activities of MarAd. These activities include programs that develop concepts, methods, systems, and equipment to improve productivity and operating efficiency in the shipbuilding and ship-operating industries.

Finally, section 1(3) authorizes a total of $74,797,000 for O&T. This figure is $10 million more than the administration's request. The additional amount authorized is necessary to provide for the continuance of Federal financial and fuel oil assistance to the State maritime academies.

Of this amount, $33,998,000 is authorized under paragraph (3)(A) for maritime education and training, which includes the following:

1. A total of $22,767,000 is authorized for Maritime Education and Training programs at the Merchant Marine Academy in Kings Point, NY, to develop and maintain a four-year undergraduate program that leads to bachelor of science degree, a merchant marine officer's license as third mate or third assistant engineer, and a commission as an ensign in the Naval Reserve. This authorization also would permit the continuation of a long-range modernization program for renovating and upgrading facilities that are over 40 years old, with particular emphasis on correcting many fire code deficiencies.

2. A total of $10 million is provided as a supplement to State funding of maritime education and training programs at six State maritime academies (California, Maine, Massachusetts, Michigan, New York, and Texas). This assistance includes authorization of funds for fuel oil consumed by State training vessels when used for training purposes; for the cost of alterations, repairs, and general maintenance of the training vessels; for the direct annual payments of $100,000 to each academy; and for student incentive payments in support of cadets, amounting to $1,200 per academic year for each subsidize cadet.

3. Finally, a total of $1,231,000 is authorized for administering and operating school programs at the agency level, for the conduct of supplementary training courses, and for the costs of developing and maintaining current data on the maritime labor force.

Under paragraph (3)(B) of section 1, a total of $13,812,000 is authorized for maintaining a national security support capability. This activity provides an authorization of $12,519,000 for the preservation and maintenance of merchant vessels that are retained in

the National Defense Reserve Fleet for service as naval and military transport auxiliaries in time of war or national emergency. It also provides an authorization for $1,293,000 for emergency preparedness activities.

Finally, under paragraph (3)(C) of section 1, a total of $26,987,000 is authorized for the general administration of policies and programs of MarAd and for in-house training.

SECTION 2

The FMC is an independent regulatory agency that administers the Shipping Act, 1916; the Shipping Act, 1984; the Intercoastal Shipping Act, 1933; and related shipping statutes. A total of $14,500,000 is authorized for the activities of the FMC for fiscal year 1988 under section 2.

SECTION 3

This section amends section 1304 of the Merchant Marine Act, 1936 to correct certain problems in the implementation of the SIP program. This program assists selective individuals attending State maritime academies. At the present time, students receive payments under the program for the first two academic years and do not have to enter into a U.S. Naval Reserve agreement until their third year. Some never enter into an agreement and receive a windfall of $2,400 ($1,200 for each of two years) without any reciprocal benefit to the Federal Government. The changes to the SIP program would move the commitment and agreement date to the second year. The amendments provide that the student would be given a lump sum payment of $1,200 for the first year. This would be paid in the second year only after the agreement is signed by the student and accepted by the Federal Government. Subsection (b) provides that this section is to apply to students who commence attendance after calendar year 1986.

SECTION 4

This section authorizes $10 million for the acquisition and conversion costs of a new training vessel for the State University of New York Maritime College in order to replace its antiquated ship, the *Empire State*. A new vessel is required because the *Empire State* no longer provides the cadets with modern training in navigation and is also prone to systems-failure at anytime and, thus, is a safety hazard.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new material is printed in italic, existing law in which no change is proposed is shown in roman):

THE MERCHANT MARINE ACT, 1936

Section 1304 of that Act

SEC. 1304. (a)-(f) * * *

(g)(1) The Secretary may enter into an agreement, which shall be effective for not more than 4 academic years, with any individual, who is a citizen of the United States and is attending a State maritime academy which entered into an agreement with the Secretary under subsection (d)(1), to make student incentive payments to such individual, which payments shall be in amounts equaling $1,200 for each academic year and which payments shall be—

(A) allocated among the various State maritime academies in a fair and equitable manner;

(B) used to assist the individual in paying the cost of uniforms, books, and subsistence; [and]

[(C) paid by the Secretary to the individual in such payments as the Secretary shall prescribe while such individual is attending such academy.]

(C) paid by the Secretary for the first complete or partial academic year of attendance to the individual in a lump sum of $1,200 or on a prorated basis based on actual attendance, and at a time during the second academic year when the individual enters into an agreement accepting midshipman and enlisted reserve status as required under paragraph (2); and

(D) paid by the Secretary for the academic years after those years specified in subpargraph (C) as the Secretary shall prescribe while the individual is attending the academy.

(2) Each agreement entered into under paragraph (1) shall require the individual to [apply for midshipman] *accept midshipman and enlisted reserve* status in the United States Naval Reserve (including the Merchant Marine Reserve, United States Naval Reserve) before receiving any student incentive payments under this subsection.

(3) Each agreement entered into under paragraph (1) shall obligated the individual receiving student incentive payments under the agreement—

(A) to complete the course of instruction at the State maritime academy which the individual is attending, unless the individual is separated by such academy;

(B) to make the examination for a license as an officer in the merchant marine of the United States on or before the date of graduation from such State maritime academy of such individual and to fulfill the requirements for such license not later than 3 months after such graduation date;

(C) to maintain a license as an officer in the merchant marine of the United States for at least 6 years following the date of graduation from such State maritime academy of such individual;

(D) [to apply for an appointment as,] to accept if tendered an appointment as, and to serve as a commissioned officer in the United States Naval Reserve (including the Merchant

Marine Reserve, United States Naval Reserves), the United States Coast Guard Reserves, or any other reserve unit of an armed force of the United States, for at least 6 years following the date of graduation from such State maritime academy of such individual;

(E) to serve the foreign and domestic commerce and the national defense of the United States for at least 3 years following the date of graduation from the Academy—

(i) as a merchant marine officer serving on vessels documented under the laws of the United States or on vessels owned and operated by the United States or by any State or territory of the United States;

(ii) as an employee in a United States maritime-related industry, profession, or marine science (as determined by the Secretary), if the Secretary determines that service under clause (i) is not available to such individual;

(iii) as a commissioned officer on active duty in an armed force of the United States or in the National Oceanic and Atmospheric Administration; or

(iv) by combining the services specified in clauses (i), (ii), and (iii); and

(F) to report to the Secretary on the compliance by the individual to this paragraph.

(4) If the Secretary determines that any individual who [has attended a State maritime academy for not less than 2 years] *has accepted the payment described in paragraph (1)(C)* has failed to fulfill the part of the agreement (required by paragraph (1)) described in paragraph (3)(A), such individual may be ordered by the Secretary of the Navy to active duty in the United States Navy to serve for a period of time not to exceed 2 years. In cases of hardship as determined by the Secretary, the Secretary may waive this paragraph.

(5) If the Secretary determines that any individual has failed to fulfill any part of the agreement (required by paragraph (1)) described in subparagraphs (B), (C), (D), or (F) of paragraph (3), such individual may be ordered to active duty to serve a period of time not less than 2 years and not more than the unexpired portion (as determined by the Secretary) of the service required by subparagraph (E) of such paragraph. The Secretary, in consultation with the Secretary of Defense, shall determine in which service the individual shall be ordered to active duty to serve such period of time. In cases of hardship as determined by the Secretary, the Secretary may waive this paragraph.

(6) The Secretary may defer the service commitment of any individual pursuant to subparagraph (E) of paragraph (3) (as specified in the agreement required by such paragraph) for a period of not more than 2 years if such individual is engaged in a graduate course of study approved by the Secretary, except that any deferment of service as a commissioned officer pursuant to subparagraph (E) of such paragraph must be approved by the Secretary of

the military department (including the Secretary of Commerce with respect to the National Oceanic and Atmospheric Administration) which has jurisdiction over such service.

(7) This subsection shall apply only to individuals first entering a State maritime academy after the date occurring 6 months after the effective date of the Maritime Education and Training Act of 1980.

(h) * * *

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